



SURFACE TRANSPORTATION BOARD
Washington, DC 20423

Office of Economics, Environmental Analysis and Administration

March 20, 2006

David Valenstein
Environmental Program Manager
Office of Railroad Development
Mail Stop 20
1120 Vermont Avenue, NW
Washington, DC 20005

Re: STB Finance Docket 34836, Arizona Eastern Railway – Construction and
Operation Exemption – In Graham County, Arizona

Dear Mr. Valenstein:

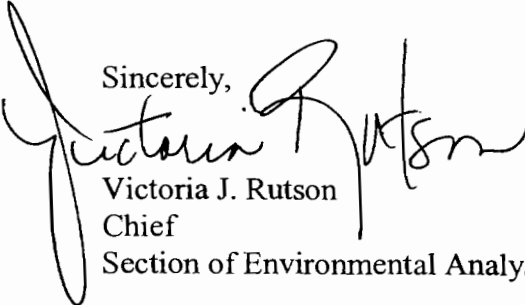
I am writing to invite you to be a cooperating agency in the preparation of an environmental review described below:

Pursuant to 49 U.S.C. 10502, the Arizona Eastern Railway (AZER) intends to file a petition with the Surface Transportation Board (Board) requesting authority to construct and operate an approximately 10-mile rail line in Graham County, Arizona (AZ). The line would connect Phelps Dodge's proposed San Juan mining operation with an existing 133.5-mile AZER line that operates between Miami and Bowie, AZ, then connects with a line of the Union Pacific Railroad (UP). AZER anticipates that the line would handle about 5,000 carloads annually, or one roundtrip train per day at 15 to 20 carloads per trip, six days per week. Commodities to be handled include sulfur and sulfuric acid in tank cars and copper cathodes in boxcars. According to AZER, this traffic represents new business, which would move directly by rail from Phelps Dodge's mine and processing facility.

The potential environmental effects of the proposed construction and operation are likely to be minimal because the rail line would be located primarily on land owned by Phelps Dodge, only one highway would be crossed, only one waterway would be crossed, and any potentially adverse environmental impacts could be mitigated. Moreover, the movement by rail instead of truck would be beneficial due to reduced highway congestion, air and noise pollution, and energy consumption. Therefore, pending comments from other agencies, the Board's Section of Environmental Analysis (SEA) has determined that an Environmental Assessment (EA) is appropriate. In the event agency comments reveal significant environmental impacts, SEA will re-evaluate the proposal and determine if the preparation of an Environmental Impact Statement (EIS) is appropriate.

AZER has indicated that it may use Federal funds from the Federal Railroad Administration's (FRA) Railroad Rehabilitation and Improvement Financing Program to construct the rail line. If this is the case, then SEA believes the project would fall under your jurisdictional authority. Therefore, consistent with 40 CFR 1501.6, we are inviting the FRA to be a cooperating agency in the preparation of an environmental review on the basis of your special expertise and jurisdiction by law.

If you have any questions, please feel free to contact Diana Wood of my staff at 202-565-1552 (email address: woodd@stb.dot.gov). I would appreciate your response by April 14, 2006. We look forward to working with you in the near future.

Sincerely,

Victoria J. Rutson
Chief
Section of Environmental Analysis